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July 14, 1999

BY HAND

Mary L. Cottrell, Secretary

Department of Telecommunications and Energy

One South Station

Boston, MA 02110

Re: Pricing and Procurement of Default Service B DTE 99-60

Dear Secretary Cottrell:

The Western Massachusetts Industrial Customers Group ("WMICG") is pleased to respond to the notice of inquiry by the Department of Telecommunications and Energy on its own motion into the pricing and procurement of default service in this docket dated June 21, 1999.

Default service prices will apply to (1) all new customers taking service after March 1, 1998, (2) customers that have left standard offer service at the end of the contract term with a competitive supplier or as a result of a breach of a contract and where the customer does not have a substitute competitive supplier for a period of time, and (3) all customers at the expiration of standard offer service transition period seven (7) years from March 1, 1998. Thus, it is critical that the pricing and procurement of default service is implemented correctly.

WMICG suggests that the proper implementation of default service will (1) create proper price signals for customers and suppliers that fairly reflect the competitive retail and wholesale marketplaces and is easy to administer, (2) avoid opportunities for customers, suppliers, or distribution companies to "game" the system and cause costs to be improperly allocated to and among customers, and (3) encourage each customer distribution company to procure electricity in an efficient and cost effective manner.

WMICG will not propose a definitive system to accomplish the foregoing goals and objectives but suggests that the Department must carefully review each proposal made by others to make sure that the default service pricing and procurement policies are not

established in a way that creates opportunities for certain parties to benefit without accepting the appropriate market risks.

At this time WMICG makes the following preliminary suggestions with respect to default service: (1) a customer selecting an Averaged \cong default pricing option must remain on default service a minimum period of time equal to the Averaged \cong pricing option it has selected to avoid "gaming" the system; (2) there should be both fixed and variable pricing options; (3) there should be an option for customers with time-of-use metering to be billed based on the time-of-use; customers without time-of-use metering should be billed based on the rate class usage profile; (4) there should be a fixed administrative and general overhead factor determined by the Department yearly to be applied to wholesale electricity prices; (5) distribution companies should be allowed to collect its procurement costs only through the fixed administrative and general overhead factor and there should be no reconciliation of costs and expenses to procure electricity.

WMICG submits its responses to the questions posed by the Department on Appendix A.

WMICG reserves the right to comment on the proposals of the other parties submitting comments in this docket. Our original and fifteen copies of this letter and Attachment are enclosed together with a diskette in WordPerfect 7.0 format.

Respectfully submitted,

WESTERN MASSACHUSETTS

INDUSTRIAL CUSTOMERS GROUP

by its attorney,

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